



Douglas County Internal Audit

September 13, 2013

Douglas County Board of Commissioners
1819 Farnam Street, Suite LC2
Omaha, NE 68183

Attention: Marc Kraft, Mary Ann Borgeson, Clare Duda, Mike Boyle, PJ Morgan,
Chris Rodgers and Pam Tusa

Tom Cavanaugh, Douglas County Clerk/Comptroller
John Ewing, Douglas County Treasurer
1819 Harney St.
Omaha, NE 68183

Dear Commissioners, Mr. Cavanaugh, and Mr. Ewing:

I have completed an audit of Douglas County Oracle user access. The purpose of the audit was to assess the adequacy and effectiveness of the control processes used to ensure that access to Oracle user applications are properly granted and continually assessed. The audit revealed that, overall, controls were adequately designed and worked effectively. However, there was an exception related to segregation of duties within the Treasurer's office. Details appear in the Findings section below.

Background

As part of the fiscal year audit plan, Douglas County Internal Audit performs internal control testing for the Douglas County external audit firm, Hayes and Associates, LLC. The external auditor uses the test data provided by Internal Audit to formulate a professional opinion about the County's year-end financial statements. Below are the details related to tests of the controls for Oracle user access.

Objectives

The objectives of the audit were to determine that:

- Oracle user access for employees is authorized and approved by appropriate personnel.
- There are appropriate controls in place to ensure that Oracle users' access rights are restricted to the functions that are essential to their job description and that the access does not create a segregation of duty conflict.
- Oracle user access for all employees is periodically assessed to determine that current access is necessary.

Scope and Methodology

The audit included a judgmentally chosen review of fifteen additions and fifteen terminations from July 1, 2012 through March 28, 2013. The sample was chosen using the current and prior active Oracle user listings. The review verified that the access requested was approved by the appropriate managers and that the access granted was the access authorized. The generation of appropriate termination notices and removal of access was also verified.

The periodic assessment of user access was reviewed to determine how user access was evaluated. Additionally, the duties of all Douglas County employees with the ability to update data within Oracle were analyzed to determine if there were any segregation of duty conflicts. Lastly, all active users were reviewed to determine that they were active employees based upon a listing provided by Human Resources.

Findings

Conflicts of Duties

Criteria: Access to accounting and financial records should only be provided in accordance with management's approval which provides for adequate segregation of duties. Those duties should be periodically assessed and include an evaluation to ensure that current system access provides for adequate segregation of duties and that employees have only the access needed to do their jobs.

Condition: Five Treasurer Department accounting employees had Oracle access that provided the ability to apply receipts to customer invoices and had access to the cash receipts. (This is a repeat finding from the previous audits.) There were two controls cited that mitigate the lack of segregation. The Oracle receivables are monitored by the departments billing the customers as well as by County Administration personnel. Past due notices are sent when appropriate. Additionally, the Treasurer's office created a log of checks presented to accounting for processing. Individual checks were to be chosen from the log on a sample basis to verify that they were included in bank deposit and applied to the appropriate billing. There was no evidence to show that individual checks were sampled for verification.

Effect: Having access to cash receipt and the ability to post the receipts provides an opportunity to convert assets to personal use possibly without detection. Monitoring receivables provides one mitigating control. Further mitigation could have been effectively provided by tracing individual checks to deposits and postings. However, there was no evidence that this was completed.

Cause: Any work that might have been completed to trace checks to posting and deposits was not properly documented.

Recommendation: Provide clear and convincing evidence of sampling work verifying that particular checks were posted and deposited. Further investigate the use of electronic payments, lockbox, and barcoded receipt processing.

Management's Response: The Douglas County Internal Auditor was provided a copy of a report of the review of the mailed check log process currently used by the Treasurer's Office Accounting Division. That report represents work that was completed subsequent to field work and serves as clear and convincing evidence of sampling work that was completed to verify particular checks were posted and deposited. The Treasurer's Office will periodically audit this process to ensure items received in the mail are posted and deposited.

Further, the Treasurer's Office has been exploring ways to process the thousands of food and pool permits that are processed in our office via a lockbox process. The Treasurer's Office has been collaborating with the Health Department and Dot.Comm in this endeavor. A meeting is scheduled for this week to complete the scope of work for the permits.

Audit Standards

Internal Audit conducted this audit in accordance with generally accepted government auditing standards. Those standards require that the audit is planned and performed to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. Internal Audit believes that the evidence obtained provides a reasonable basis for its findings and conclusions based on the audit objectives.

Internal Audit has reviewed this information with the Chief Deputy Douglas County Clerk, Douglas County Treasurer, Chief Deputy Douglas County Treasurer and the Treasurer's Senior Director of Accounting/Auditing. Internal Audit appreciates the excellent cooperation provided by management and staff. If you have any questions or wish to discuss the information presented in this report, please contact Mike Dwornicki at (402) 444-4327.

Sincerely,

Mike Dwornicki
Internal Audit Director

cc: Paul Tomoser
Joni Davis
Trent Demulling
Donald Stephens
Patrick Bloomingdale
Joe Lorenz
Diane Carlson
Tim Cavanaugh
Kathleen Hall
Jerry Prazan
Patricia Carter
Mark Rhine